

**FARRIS MATHEWS BRANAN
BOBANGO HELLEN & DUNLAP PLC**

ATTORNEYS AT LAW

MEMPHIS DOWNTOWN
One Commerce Square, Suite 2000
Memphis, Tennessee 38103
Telephone 901-259-7100
Facsimile 901-259-7150

HISTORIC CASTNER-KNOTT BUILDING
618 CHURCH STREET, SUITE 300
NASHVILLE, TN 37219

(615) 726-1200 telephone
(615) 726-1776 facsimile

Charles B. Welch, Jr
cwelch@farrismathews.com

RECEIVED

2005 MAY 18 PM 3:29
MEMPHIS EAST
1100 Ridgeway Loop Road, Suite 400
Memphis, Tennessee 38120
Telephone 901-259-7120
Facsimile 901-259-7180
IN A COURT ROOM

Reply to
Nashville Office

May 18, 2005

Chairman Pat Miller
c/o Chief Aster Adams
Tennessee Regulatory Authority
460 James Robertson Parkway
Nashville, Tennessee 37243-0505

RE: Docket No. 05-00125-Responses to Data Request No. 1

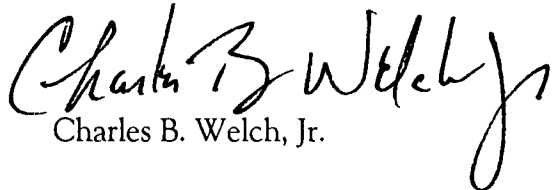
Dear Chairman Miller and Chief Adams:

Please find enclosed for filing, an original and 14 copies of the above referenced Responses to Data Request No. 1. Please date stamp one copy for my records.

Thank you for your assistance regarding this matter. If you have any questions, or if I may be of further assistance, please do not hesitate to contact me.

Very truly yours,

FARRIS MATHEWS BRANAN
BOBANGO HELLEN & DUNLAP, PLC


Charles B. Welch, Jr.

CBW/tp
Enclosures

BEFORE THE TENNESSEE REGULATORY AUTHORITY
NASHVILLE, TENNESSEE

IN RE: PETITION OF)
TELCOVE, INC.)
TELCOVE OPERATIONS, INC.) DOCKET NO. 05-00125
TELCOVE OF TENNESSEE, INC.)
TELCOVE OF NASHVILLE, INC.)

RESPONSES TO DATA REQUEST NO. 1

Comes now the Petitioners, TelCove, Inc. ("TelCove"), TelCove Operations, Inc. ("TelCove Operations"), TelCove of Tennessee, Inc. ("TelCove of Tennessee") and TelCove of Nashville, L.P. ("TelCove of Nashville"), and for answers to Data Request No. 1 propounded by the Tennessee Regulatory Authority, would state as follows:

1. Describe, in greater detail, the terms of the sixty-five million dollar senior secured multi-draw second lien and first mortgage term loan facility.

Response:

Petitioners request approval from the Tennessee Regulatory Authority ("TRA") for a \$65 million senior secured multi-draw second lien and first mortgage term loan facility ("Loan Facility"). Subject to various conditions, the Loan Facility will be made available to Petitioners and their affiliated borrowers (collectively, "the Borrowers") through an administrative agent on behalf of various lenders (the "Lenders") for a period of eighteen months after the Loan Facility's closing date (the "Closing Date"). As currently contemplated, upon the Closing Date, the Lenders will make an initial loan ("Initial Loan") to the Borrowers in an amount of not less than \$40 million, but not more than \$50 million. The proceeds from the Initial Loan will be available to the Borrowers for capital expenditures, acquisitions and other general corporate purposes permitted under the Loan Facility. Additional loans will be made available to the Borrowers over the term of the Loan Facility in an aggregate amount not to exceed the difference between the \$65 million and the amount of the Initial Loan (the "Subsequent Loans"). Proceeds from the Subsequent Loans will be available to the Borrowers only for certain acquisitions approved by the Lenders.

To secure the Loan Facility, TelCove must pledge certain assets and/or stock of, and obtain guarantees from its operating entities, including TelCove Operations, Inc. ("TelCove Operations") and TelCove of Nashville, L.P. ("TelCove of Nashville"). Specifically, the Borrowers must grant the Lenders a second-priority perfected security

interest in all of their respective tangible and intangible personal property and assets (the "General Collateral"). The Lenders' security interest in the General Collateral will be second only to the security interests granted in connection with the Borrowers' existing \$60 million secured revolving credit facility. (Petitioners also seek approval from the TRA to increase the maximum amount of the revolving credit facility from \$60 million to \$75 million, a net increase of \$15 million). As additional security, the Borrowers must also grant the Lenders first-priority perfected liens and mortgages on certain real property ("Mortgage Collateral"), none of which is located in Tennessee. All of the Lenders' security interests in the General Collateral and Mortgage Collateral will constitute senior obligations of the Borrowers, senior to all subordinated debt of the Borrowers and *pari passu* in priority of payment with all other senior debt of the Borrowers.

Subject to certain conditions, all obligations under the Loan Facility will be due and payable on June 30, 2008. Additionally, the Borrowers may prepay all or any parts of amounts owed at any time without penalty, provided such prepayments do not reduce the aggregate balance outstanding under the Loan Facility below \$10 million.

The interest rate applicable to amounts drawn from the Loan Facility will accrue according to the formulas set forth in the Summary of Terms and Conditions (the "Term Sheet"). The Term Sheet also outlines other key terms and conditions of the Loan Facility. A redacted version of the term sheet is attached.

2. In the event of default, how does the granting of first-priority liens and mortgages affect TelCove Operations and TelCove of Nashville?

Response:

Under the Loan Facility, the Lenders will have first-priority liens and mortgages on property of the Borrowers. In the event of default, the Lenders could exercise their rights pursuant to such security interests. However, an exercise of such security interests that would ultimately result in the transfer of assets or transfer of control of an entity would be subject to applicable regulatory approval.

3. How will the transaction be recorded on the company's books?

Response:

None of the debt issued will be recorded on the books of the TelCove Tennessee operating entities (i.e., TelCove Operations and TelCove of Nashville) unless those entities draw upon the Loan Facility being made available to them. Outstanding borrowings are reflected in TelCove's consolidated financial statements as long-term debt.

If the TelCove Tennessee operating entities were to ultimately draw upon the Loan Facility, Tennessee ratepayers would not pay interest on the debt. The debt and associated interest expense would be reflected in TelCove's consolidated financial statements.

4. In view of the prior bankruptcies, explain how these loans affect the debt to equity ratio.

Response:

TelCove's debt to equity ratio with a fully drawn revolving credit facility (\$75 million, if the TRA approves Petitioners' request for approval to increase the maximum amount of the credit facility) and a fully drawn Loan Facility (\$65 million) would be approximately 0.5 to 1 based on TelCove's current equity value of \$325 million.

5. How will the interest expense be allocated to the Tennessee' entities books?

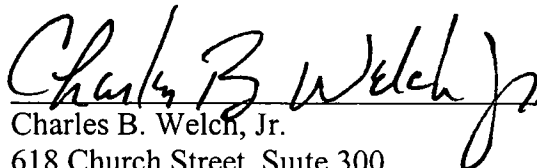
Response:

Please see the response to #3 above.

Dated: May 18, 2005

Respectfully submitted,

FARRIS MATHEWS BRANAN
BOBANGO HELLEN & DUNLAP, PLC


Charles B. Welch, Jr.

618 Church Street, Suite 300

Nashville, TN 37219

Tel: (615) 726-1200

Fax: (615) 726-1776

Attorneys for Petitioners

PUBLIC VERSION

This Summary of Terms and Conditions is being presented for discussion purposes only and does not constitute, nor shall it be deemed to constitute, a commitment by any person to provide a credit facility of the type described herein or otherwise. Any commitment to lend on the terms and conditions outlined herein shall be (i) subject to, and exclusively evidenced by, definitive Facility Documents and other legal documentation in form and substance satisfactory to the Agent and each of the Lenders and (ii) subject to review by the Lenders of, and their satisfaction with, the definitive First Lien Debt Agreement and related documents. This Summary of Terms Conditions is not intended to be all-inclusive. Any terms and conditions that are not specifically addressed in this Summary of Terms Conditions are subject to future negotiations between the Agent, the Lenders and the Parent.

\$65,000,000 SENIOR SECURED MULTI DRAW SECOND LIEN AND FIRST MORTGAGE TERM LOAN FACILITY

Summary of Terms and Conditions

April 11, 2005

I. Parties

Parent	TelCove, Inc., a Delaware corporation (the “ Parent ”)
Borrowers	Each of Parent’s operating subsidiaries, but including in any event all borrowers under the First Lien Debt Agreement (collectively, the “ Borrowers ”). All Borrowers shall be jointly and severally liable for the obligations under the Facility Documents.
Guarantors:	Parent and all of Parent’s existing and future direct and indirect subsidiaries shall unconditionally guarantee all of the indebtedness, obligations and liabilities of the Borrowers arising under or in connection with the Facility Documents (as defined below). Guarantees of subsidiaries sold in accordance with the terms of the Facility Documents will be released with the Agent's consent.
Administrative Agent and Collateral Agent.	[To be determined] (in such capacity, the “ Agent ”)
Lenders	[REDACTED]

II. Credit Facility

Type and Amount of Facility.	A committed multiple draw Senior Secured Second Lien and First Mortgage Term Loan Facility (the “ Facility ”) in an aggregate amount not to exceed \$65,000,000 (the Lenders’ commitment under the Facility, the “ Commitment ”); (the loans under the Facility, the “ Loans ”; the loans under the Facility drawn on the Closing Date (define below), the “ Initial Loans ”,
------------------------------	---

PUBLIC VERSION

the loans under the Facility drawn after the Closing Date, the **“Subsequent Loans”**, and the transactions contemplated hereby, the **“Transactions”**) The Initial Loan shall be made on the Closing Date in the aggregate principal amount of not less than \$40,000,000 nor more than \$50,000,000 (the **“Initial Loan Amount”**), and subsequent Loans in an aggregate principal amount not to exceed the excess of \$65,000,000 over the Initial Loan Amount may be drawn from time to time after the Closing Date and during the Availability Period (as defined below) in \$250,000 minimum amounts (the date of any such Loan under the Facility, a **“Draw Date”**)

Availability Period

Initial Loans shall be drawn on the Closing Date. Subsequent Loans under the Facility may be drawn during the period from but excluding the Closing Date to but excluding the earlier of (x) the date that is eighteen months after the Closing Date of the Facility, (y) the date of cancellation of the entire undrawn balance of the Commitment in accordance with the Facility Documents and (z) the Facility Termination Date (as defined below) (such period, the **“Availability Period”**). The Commitment will expire at the end of the Availability Period.

Cancellation or Reduction of Commitment

[REDACTED]

Maturity.

All obligations under the Facility will be due and payable on the earlier of (i) June 30, 2008 (the **“Facility Maturity Date”**) and (ii) the acceleration of the Loans in accordance with the Facility Agreement hereinafter referred to (such earlier date, the **“Facility Termination Date”**). Principal and accrued interest owing under the Facility Documents (hereinafter referred to) shall be payable on the Facility Termination Date.

Seniority

[REDACTED]

Lien Priority and Collateral

All obligations of the Borrowers under the Facility and all obligations of the Guarantors under the guarantees of the foregoing (the foregoing, collectively, the **“Facility Obligations”**) shall be secured by (i) perfected second priority liens on the General Collateral (second only to the liens on the General Collateral securing First Lien Debt Obligations (defined below)) and (ii) perfected first priority liens and mortgages (subject to permitted encumbrances to be mutually agreed) on the Mortgage Collateral, which General Collateral and Mortgage Collateral shall be subject to no other liens, other than permitted liens to be mutually agreed.

“General Collateral” means all tangible and intangible personal property and assets now owned or hereafter acquired by the Borrowers and the Guarantors (as applicable), including, but not limited to, all cash and cash equivalents, deposit accounts,

PUBLIC VERSION

investment accounts, accounts receivable, inventory, machinery and equipment, intellectual property, insurance proceeds, causes in action, 100% of all outstanding capital stock of the Borrowers' and the Guarantors' subsidiaries (except as set forth below with respect to certain foreign subsidiaries, if applicable) and all other tangible and intangible properties and assets of every kind and description, together with all products and proceeds of any of the foregoing (but excluding in any event the Mortgage Collateral and the Fixed Wireless Licenses).

“Mortgage Collateral” means all right, title and interest of the Borrowers and Guarantors in the real property listed on Annex II hereto, and all fixtures and improvements thereon and all rents, revenues and profits from the foregoing, provided that the maximum collateral value of the Mortgage Collateral as first lien security for the Facility Obligations shall be \$30,000,000, and provided further that there shall be no additional liens on any such real property other than mutually acceptable customary permitted liens.

“Fixed Wireless Licenses” means those licenses listed on Annex III hereto

[REDACTED]

[REDACTED]

[REDACTED]

Loan Purpose / Use of
Proceeds:

Proceeds of the Initial Loans shall be available for capital expenditures and acquisitions and other general corporate purposes of the Borrowers permitted by the Facility Agreement, including payment of any related transaction costs, fees and expenses. Proceeds of the Subsequent Loans shall be available only for Approved Acquisitions

“Approved Acquisition” means an acquisition by any Borrower that is approved by the Required Lenders in their Permitted Discretion.

Closing Date

On or before _____, 2005 (the “Closing Date”).

III. Certain Payment Provisions

Fees and Interest Rates

As set forth on Annex I.

Amortization

[REDACTED]

Mandatory Prepayments

[REDACTED]

PUBLIC VERSION

Optional Prepayments: [REDACTED]

Call and Extended
Payment Protection. [REDACTED]

IV. Certain Conditions:

Conditions Precedent
to Closing

Customary for transactions of this type, including, among other things, the management, corporate structure, capital structure, other debt instruments, material accounts, and governing documents of Borrowers, the Guarantors and their affiliates, shall be reasonably acceptable to the Required Lenders; mutually satisfactory Facility Documents, delivery of reasonably satisfactory and customary legal opinions and other closing documents for transactions of this nature (including among other things a real property appraisal, appropriate environmental report and zoning report and mortgagee title insurance in form and substance satisfactory to the Lenders), second priority perfected security interests in the General Collateral and first priority perfected security interests and mortgages and assignments of rents in respect of the Mortgage Collateral (in each case free and clear of all other liens, other than Liens on the General Collateral securing the First Lien Debt Obligations, and other permitted liens to be agreed upon), accuracy of representations and warranties; absence of defaults, prepayment events or creation of liens under debt instruments or other agreements as a result of the Transactions; evidence of authority, payments of fees and expenses, reasonably satisfactory insurance, delivery of satisfactory audited financial statements of the Parent and its subsidiaries for the period ending December 31, 2004 and the most recently available monthly financial statements of the Parent and its subsidiaries, receipt of satisfactory pro forma budgets and projections for periods to be agreed; receipt of all material consents, and compliance with applicable material laws and regulations (including but not limited to ERISA, margin regulations, bank regulatory limitations and environmental laws)

Conditions Precedent
to All Loans

The making of a Loan on any Draw Date shall be conditioned upon, but not limited to, (a) the accuracy of all representations and warranties, (b) there being no default or event of default in existence at the time of, or after giving effect to the making of, such Loan, (c) the absence of any material adverse change, and (d) in the case of a Subsequent Loan, the consummation of an Approved Acquisition.

PUBLIC VERSION

V. Certain Documentation Matters

Facility Documents:	The Facility shall be governed by a term loan agreement (the “ Facility Agreement ” and related guaranty, security, and other documents, including the Intercreditor Agreement (all of the foregoing, collectively, the “ Facility Documents ”) in form and substance satisfactory to the Lenders and the Agent. The relative rights and obligations of the Lenders and the Agent, and the agent and lenders under the First Lien Debt Agreement in respect of the priority of their liens and the exercise of certain remedies and other customary matters in respect of their liens in transactions of this type shall be governed by an intercreditor agreement in form and substance satisfactory to the Lenders and the Agent (the “ Intercreditor Agreement ”).
Representations and Warranties.	The Facility Documents will contain customary representations and warranties to be made as of (x) the date the Borrowers and the Guarantors execute the Facility Documents (the “ Closing Date ”) and (y) each Draw Date, in each case, including, without limitation, representations regarding corporate existence and power, good standing, authorization and enforceability, no conflict, governmental consents, financial statements, projections and budgets, absence of material adverse change, absence of litigation and contingent obligations, environmental matters, taxes, subsidiaries, ERISA, compliance with laws, subsidiaries, labor matters, collateral and collateral documents and liens, margin regulations, 1940 Act, etc., ownership of properties, disclosure, insurance, absence of default or unmatured default and continued accuracy of representations.
Affirmative Covenants	[REDACTED]
Negative Covenants	[REDACTED]
Financial Covenants.	[REDACTED]
Events of Default.	[REDACTED]
Voting.	[REDACTED]
Assignments and Participations	[REDACTED]
Yield Protection.	[REDACTED]
Expenses and Indemnification	[REDACTED]

PUBLIC VERSION

Governing Law

The Facility Documents will be governed by the laws of the State of New York (except, in the case of collateral or mortgage documents, as otherwise required by the Agent)

Counsel to the Lenders

[REDACTED]

PUBLIC VERSION

Annex I

Interest and Certain Fees

Interest Rate [REDACTED]

Default Rate. [REDACTED]

Interest Payment Dates [REDACTED]

Commitment Fee: [REDACTED]

Servicing Fee [REDACTED]

Administrative Agent Fee [REDACTED]

Rate and Fee Basis [REDACTED]

[REDACTED]

PUBLIC VERSION

Annex III

SCHEDULE 1.67
to
AMENDED AND RESTATED LOAN AND SECURITY AGREEMENT
Fixed Wireless Licenses

[REDACTED]